

Message Text

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SUBJECT: 1976 OECD BUDGET PROJECTION

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1. SUMMARY: COUNCIL WILL DISCUSS ON JULY 3, SECRETARY-GENERAL'S PROPOSAL TO BASE 1976 BUDGET ESTIMATES ON AN INCREASE OF 2.5 PER CENT FOR THE PART I BUDGET. THIS INCREASE BEING PROGRAMMED FOR EXPANDED WORK IN KEY AREAS OF STRONG POLICY INTEREST TO U.S. END SUMMARY. ACTION REQUESTED: REQUEST AUTHORIZATION SUPPORT SECRETARY-GENERAL'S PROPOSAL FOR MODEST INCREASE IN REAL TERMS FOR 1976 OECD BUDGET.

2. AFTER TWO SUCCESSIVE BUDGET YEARS OF VIRTUALLY NO GROWTH IN REAL TERMS AND EXTENSIVE INTERNAL REALLOCATION OF RESOURCES DURING THIS PERIOD, SECRETARY-GENERAL NOW REQUESTING AGREEMENT PREPARE 1976 BUDGET ESTIMATES ON BASIS 2.5 INCREASE IN REAL TERMS. AS A FOLLOW-UP TO THE MAY 28-29 MINISTERIAL MEETING, OECD WILL BE PROGRAMMING FOR MAJOR NEW ACTIVITIES IN AREAS NORTH/SOUTH RELATIONSHIPS, COMMODITIES POLICY AND MEDIUM-TERM GROWTH PROSPECTS OF MEMBER COUNTRIES. EXPANSION IS IN ACTIVITIES THAT ARE OF HIGH PRIORITY INTEREST TO U.S.

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3. PRELIMINARY ESTIMATES FROM OECD BUDGET DIVISION

PLACE THE COST OF THE NOMINAL INCREASES FOR WAGE AND PRICE INCREASES AT ABOUT 14 TO 15 PER CENT FOR A PROJECTED TOTAL INCREASE IN THE 1976 PART I BUDGET OF 16-1/2 TO 17-1/2 PER CENT. IN ADDITION, THERE IS LIKELY TO BE A SUBSTANTIAL INCREASE IN THE 1976 BUDGET OF THE INTERNATIONAL ENERGY AGENCY (REFLECTING THE FULL YEAR COSTS OF ENERGY ACTIVITIES THAT WERE GRADUALLY IMPLEMENTED DURING 1975 AND THE EFFECT OF WAGE AND PRICE INCREASES OCCURRING IN 1975 OR PROJECTED FOR 1976). SUBJECT TO SUBSEQUENT POLICY DECISIONS, OTHER POTENTIAL INCREASES WOULD BE FUNDING REQUIREMENTS FOR WORK ON ENERGY R&D AND FOR THE JAPANESE PROPOSAL ON THE STUDY ON THE FUTURE DEVELOPMENT OF ADVANCED INDUSTRIAL SOCIETY IN HARMONY WITH THAT OF LESS DEVELOPED COUNTRIES BOTH STRONGLY SUPPORTED BY THE SECRETARY IN THE COURSE OF RECENT IEA AND OECD MINISTERIAL MEETINGS.

4. MISSION BELIEVES IT IS ESSENTIAL TO PROVIDE ADEQUATE LEVEL OF BUDGETARY SUPPORT TO OECD TO PERMIT THE ORGANIZATION TO CARRY OUT EFFECTIVELY ITS CURRENT ACTIVITIES AND TO UNDERTAKE IMPORTANT NEW ACTIVITIES AND, ACCORDINGLY, REQUESTS AUTHORIZATION TO ALLOW MISSION TO SUPPORT PROJECTED INCREASE IN REAL TERMS FOR PART I BUDGET. IN CONNECTION WITH APPROVAL MISSION WOULD PLAN POINT OUT THAT ALL POSSIBLE OPPORTUNITIES SHOULD BE TAKEN TO SHIFT EXISTING RESOURCES AND THAT NORMAL FULL AND SEARCHING REVIEW OF 1976 BUDGET WOULD BE CONDUCTED DURING THE FALL BUDGET DISCUSSION.

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